



State of Washington
Insurance Commissioner's
Annual Report
2004

Mike Kreidler
Insurance Commissioner

About This Report:

The preamble to the Washington State Insurance Code (Chapter 48, RCW) says:

“The business of insurance is one affected by the public interest, requiring that all persons be actuated by good faith, abstain from deception, and practice honesty and equity in all insurance matters. Upon the insurer, the insured, and their representatives rests the duty of preserving inviolate the integrity of insurance.”

This report, which is required under RCW 48.02.170, includes the statistical summaries compiled in the insurance marketplace in Washington. The statistical tables themselves are extracted from exhibits filed with the National Association of Insurance Commissioners (NAIC). While this data is historically reliable and complete, any statistical project of this magnitude may contain errors, and neither the NAIC nor the Commissioner makes representations or warranties with respect to the accuracy or the completeness of the data and statistics in this report.

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About the artist:

The front cover art is a watercolor painting by Lichiou Lee. Lichiou is the Health Actuary with the Office of the Insurance Commissioner. She has been with the OIC since 1995.

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May 2005

From the Commissioner:
Emerging from a difficult insurance market

2004 provided an interesting mix of challenges, decisions and other developments for the Office of the Insurance Commissioner as I wrapped up my first term in office. From an insurance perspective, the year ended on a brighter note than it began. We experienced a significant easing of the “hard market” insurance cycle that has plagued some sectors of the insurance marketplace for most of this decade. I’m pleased to report that as the market has eased, certain lines of difficult-to-find insurance, especially in the liability lines, have become more accessible and more affordable.



Additionally, after several years of rising rates and premiums, the cost of automobile insurance and homeowner insurance turned around in 2004 and began a decline that has continued into the first months of 2005.

The year 2004 also saw the OIC assume protective control of two Washington insurance companies under provisions of the state’s rehabilitation statute. That brings to four the number of insurance companies I’m overseeing under authority of receivership orders approved by Thurston County Superior Court. Although I’m ready and willing to fulfill my responsibilities to protect the best interests of the policyholders, the companies and the public, this action has placed me in the somewhat awkward position of regulator and operator. However, the OIC will continue to fulfill its fiduciary responsibilities until circumstances are resolved for each of the troubled companies.

In another significant development at mid-year, I rejected an application by the state’s largest non-profit health insurer to convert to for-profit status. That rejection came after nearly two years of careful review and thoughtful deliberation. It was based on a determination that the conversion would have a negative impact on policyholders and the public interest.

The OIC’s Consumer Protection division logged another busy year of activity on behalf of Washington’s insurance-purchasing public. Our Consumer Advocacy staff responded to nearly 97,000 telephone inquiries from consumers, recovered more than \$10 million for aggrieved policyholders, and resolved or closed nearly 5,900 consumer complaint files.

Consumer protection is a vital service of this office, affecting thousands of lives. It’s a duty we take seriously and look forward to continuing in the coming years. You can rest assured that consumer protection will always be my number one priority for this office.

Sincerely,

A handwritten signature in dark ink, reading "Mike Kreidler". The signature is fluid and cursive, with the first name "Mike" and last name "Kreidler" clearly distinguishable.

Overview of the agency:

The Insurance Commissioner's Office has the responsibility of regulating the insurance business in Washington under authority granted by the insurance laws of this state. The people of Washington paid more than \$23 billion in 2004 for insurance to 1,335 insurance companies, health care service contractors (HCSCs), and health maintenance organizations (HMOs). This figure includes money spent on life, health, property, casualty and marine insurance.

The Insurance Commissioner's Office was created by the first state Legislature in 1889-90, with the office first administered as an adjunct duty of the Secretary of State. It was made an independent state office in 1907, and the first Insurance Commissioner was elected in 1908. There have been eight elected insurance commissioners since then, including the current Commissioner, Mike Kreidler, who was re-elected to a second term in 2004.

At first, the main functions of the office were simply to register insurance companies that wanted to do business in Washington. The office primarily regulated insurance by exercising the compliance and penalty provisions of the State Insurance Code, although other duties included supervising insurance company formation within the state and monitoring the reinsurance market. Over the years, the Commissioner's duties expanded to include ascertaining that all authorized insurance companies meet and maintain stringent financial, legal and other requirements for doing business in this state.

Today, consumer protection is the most important job of the Insurance Commissioner. During the year 2004, the OIC investigated and closed 5,876 complaints, recovering \$10 million for consumers. In addition, the Insurance Commissioner coordinates a wide variety of protective and assistance services for insurance consumers. For example, agency investigators follow up on consumer complaints, look into the circumstances of disputes between consumers and companies, and advocate for the consumer whenever companies have acted improperly. The Consumer Protection Division responds to thousands of questions from consumers every year and distributes published consumer guides that help Washington residents decide what type of insurance they need and how to go about purchasing it.

Other facts about the Office of the Insurance Commissioner:

- About 60 insurance companies and health carriers are domestic insurers with headquarters located in Washington. Domestic companies are scheduled for examination by the Insurance Commissioner's Office at least once every five years.
- Anyone selling insurance in Washington must hold an agent's license from the Insurance Commissioner. Overseeing the testing, licensing, continuing education and professional performance of the more than 80,000 licensees in the state constitutes a major part of the insurance office staff's workload.
- The Commissioner is responsible for collecting a tax assessed on insurance premiums. This money directly goes into the state's General Fund. No General Fund money goes to the Office of the Insurance Commissioner. Instead, insurance companies pay a special assessment based on the business they do in the state, and that money is used to fund the operations of the OIC.

In addition, the OIC is responsible for collecting premium taxes paid by Health Care Service Contractors and Health Maintenance Organizations. All told, the OIC collects about \$400 million in state tax revenue that is used to fund a range and variety of public services and programs.

- Consumers with insurance questions or concerns are encouraged to contact the Consumer Advocacy Program. Consumer Advocacy staff includes experts in all lines of insurance (auto, homeowner, life, disability, health, etc.) and provides free assistance and education to consumers. Consumer Advocacy has the authority to investigate formal complaints against insurers and agents, and to enforce insurance laws on behalf of consumers. For assistance, consumers may call the toll-free Insurance Consumer Hotline at 1-800-562-6900, access our Web site at www.insurance.wa.gov or send an e-mail to cad@oic.wa.gov.
- The Statewide Health Insurance Benefits Advisors (SHIBA) HelpLine is also a free service of the OIC. The SHIBA HelpLine provides specialized education, assistance and advocacy, including individualized counseling by trained volunteer advisors about your rights and options. For help with health insurance issues, call the Insurance Consumer Hotline at 1-800-562-6900.
- Agents, brokers and other insurance licensees may contact the OIC directly through the Consumer Protection Division at (360) 725-7263.

To contact the OIC by telephone:

Mike Kreidler, Insurance Commissioner	(360) 725-7100
Sue Hedrick , Executive Assistant	(360) 725-7103
Mike Watson , Chief Deputy Insurance Commissioner	(360) 725-7106
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Consumer Protection

John Hamje , Deputy Commissioner	(360) 725-7262
Georgia Cooper, Licensing/Continuing Education Administrator	(360) 725-7145
Ken Combs, Surplus Lines	(206) 464-5311
Catherine Rogerson, Consumer Advocacy Program Manager	(360) 725-7084
Fritz Denzer, Consumer Advocacy P&C Compliance Supervisor	(360) 725-7235
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Mary Clogston , Deputy Commissioner	(360) 725-7101
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D.J. Mark , Deputy Commissioner	(360) 725-7007
Stacey Warick, Fiscal Officer	(360) 725-7030

Insurance Building (Capitol Campus)

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Tumwater Office

P.O. Box 40256, Olympia, WA 98504-0256	(360) 725-7080
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Seattle Office

The Central Building, Suite 650, 810 3rd Ave., Seattle, WA 98104	(206) 464-6263
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Spokane Office

One Rock Pointe, 1212 N. Washington St., Suite 106, Spokane, WA 99201	(509) 568-3046
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Toll-Free Insurance Consumer Hotline for consumer complaints

1-800-562-6900

Media inquiries

(360) 725- 7055

Visit our Web site at: www.insurance.wa.gov